

FHA Home Loans at 70: A Continued Reflection of Timeless American Values

By Tom Cusack, HUD Oregon Field Office Director

June 1934. It was the 15th anniversary of the end of World War 1. Hitler's power was growing, and Germany was once again posing a threat to its neighbors in Europe.

Terrorists, believed to be Nazi's, had set off bombs in Austrian cities. Railroads, power stations, publishers, and communications links were the terrorist's targets.

In the United States the unemployment rate stood at 22 percent. A future Social Security program was still a dream, taking a back seat to programs that focused on immediate economic rescue and recovery.

In a national radio speech on June 28th, President Roosevelt reviewed the accomplishments of

the Congressional session that was concluding and told his listeners of his plans to leave Washington for a four-week ocean voyage to visit several countries and U.S territories. Upon returning to the West Coast, the President then planned to travel down the Columbia, Missouri, and Mississippi rivers to visit sites of future public works projects, including the future sites of the Bonneville and Grand Coulee dams.

In his radio speech, the President also announced that he had recently signed legislation to create the Federal Housing Administration (FHA), one of an alphabet soup of recovery agencies created during the first 1,000 days of the Roosevelt presidency. The immediate purpose of FHA was to help the financial and housing sectors recover and to stimulate

\$3 billion in housing repairs and construction, and the jobs that went along with that construction activity.

While job creation was an important reason for FHA's existence, in a bigger and longer-term sense, the creation of FHA was and continues to be an embodiment of core American values:

- Hard work should be encouraged and rewarded.
- Property and asset ownership should be available to all, not just a few.
- When conditions for individual prosperity exist, communities will prosper.
- Given the opportunity, working Americans could be trusted to use credit wisely, even for very long term obligations like home

loans.

- Government could innovate, design, implement and modify programs that work.
- The private sector would provide private capital to long-term home loans if government demonstrated leadership and partnership.

Within a year of passage of the creation of FHA, FHA offices had been established around the country, 35 states had adopted state enabling legislation, and banks had already made more than 250,000 FHA loans.

In Oregon, enabling legislation was passed in March 1935. The first FHA home loan was made in Astoria, for \$1,700. The interest rate was five and a half percent and the term was 20 years. The Bank of Astoria was the lender. The family had lived in Astoria for 33 years; the husband worked for the local telegraph company and refinanced a sales contract with a seven percent interest rate.

In 1935, 190 FHA loans were made in Oregon. In 2003, FHA home loans helped nearly 6,000 Or-

egon families buy their *first* home; a total of 18,000 Oregon families chose FHA home loan products as best meeting their needs; and private lenders contributed more than \$2.1 billion in mortgage funds for FHA home loans in Oregon.

My mom used to tell me about the near mythical quality the giant forests near Astoria held for Finnish lumberjacks working the smaller forests in the upper peninsula of Michigan. So, on several occasions over the last twenty years, it's been a special treat and an honor for me to revisit that first FHA home in Astoria.

The home sits proudly on a bluff, overlooking the gateway to the Pacific Ocean and the surrounding beauty of the Northwest. From the perspective of 31 years at HUD, and the view from that Astoria porch, I see the Pacific shoreline of America and beyond to the timeless values that made the FHA loan program possible.

I take comfort and pride that an elegantly simple program like the FHA home loan program has con-

tinued to change with the times and do good work for new generations of Oregonians and of Americans. Seventy years after it began, the FHA home loan program continues to meet the needs of today's Americans.

For my money, FHA home loan programs stand as some of the most successful government programs, bar none, of all time. My fondest hope is that during the 100th anniversary in 2034 a future HUD Director in Oregon will have the same joy I have in revisiting the first FHA home in Astoria and finds it in the same great condition as it is in today. If that happens, it will be clear that that the FHA program continued to evolve to meet the needs of that era, and reaffirm that the core values that led to the creation of FHA are as relevant in 2034 as they were a century earlier.

